

TAYLOR COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Taylor County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2009 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2009, on our consideration of the Taylor County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 7 and budgetary comparison information on Pages 31 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 33 through 36 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on Pages 37 through 39 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

November 6, 2009

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

As management of the Taylor County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District's General Fund was \$493,867 as compared to \$881,734 for the year ending balance on June 30, 2009.
- A continued effort focuses on purchasing in the areas of supplies, food, energy and travel resulting in savings due to management strategies.
- Interest income earned in FY 2009 was \$150,942 as compared to \$226,207 in 2008. Total revenue increased by 2.76 percent for all governmental from \$21,618,962 in FY 08 to \$22,215,462 in FY 08.
- During fiscal 2008, SEEK (state) funding increased by 6.77% over the prior year, and in fiscal year 2009, the District's SEEK increased by 2.54% percent over fiscal year 2008.
- The General Fund had \$19,245,423 (including the beginning balance) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers of \$27,228 for local technology matching funds, there were \$18,336,461 in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total principal bonded indebtedness decreased by \$550,955 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,219,389 as of June 30, 2009 as compared to \$6,593,067 as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the Period Ending June 30, 2009 and 2008:

Assets	2009	2008
Current Assets	\$ 3,531,700	\$ 2,875,509
Non-Current Assets	12,511,454	12,981,502
Total Assets	16,043,154	15,857,011
Current Liabilities	1,208,216	1,199,704
Non-Current Liabilities	7,690,618	8,437,918
Total Liabilities	8,898,834	9,637,622
Net Assets		
Investment in Capital Assets (Net of Debt)	4,421,454	4,196,502
Restricted	1,896,727	1,741,424
Unrestricted	826,139	281,463
Total Net Assets	\$ 7,144,320	\$ 6,219,389

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

COMMENTS ON BUDGET COMPARISONS

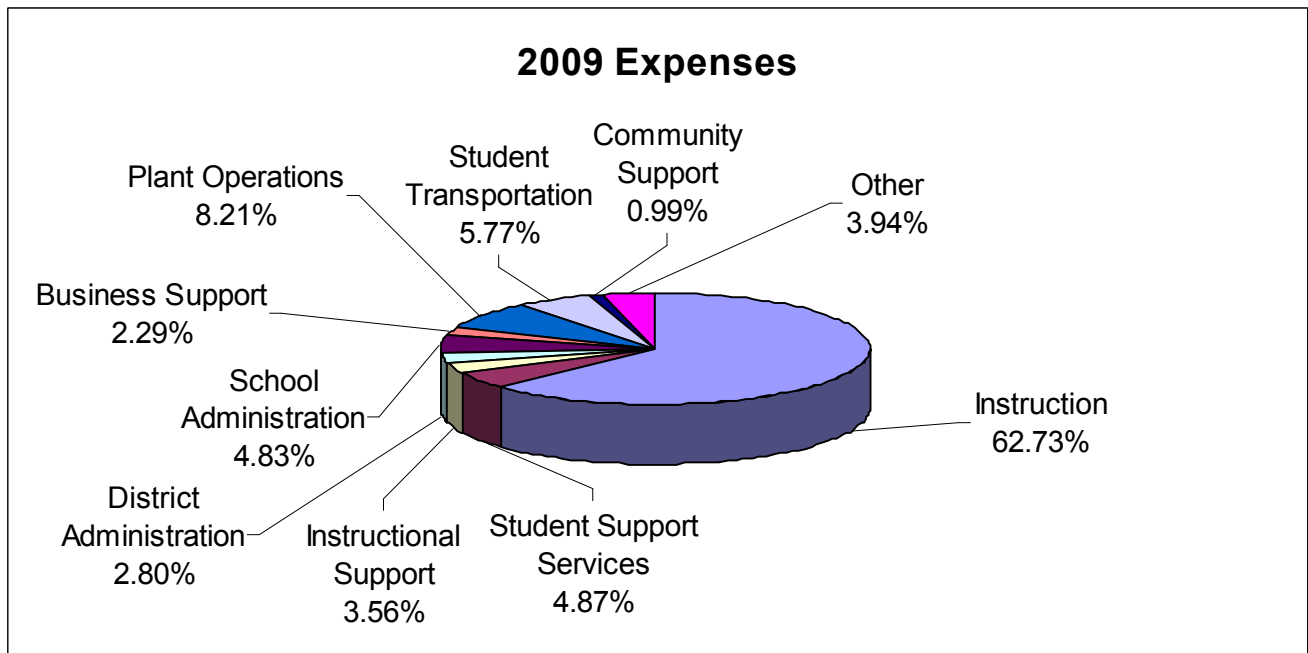
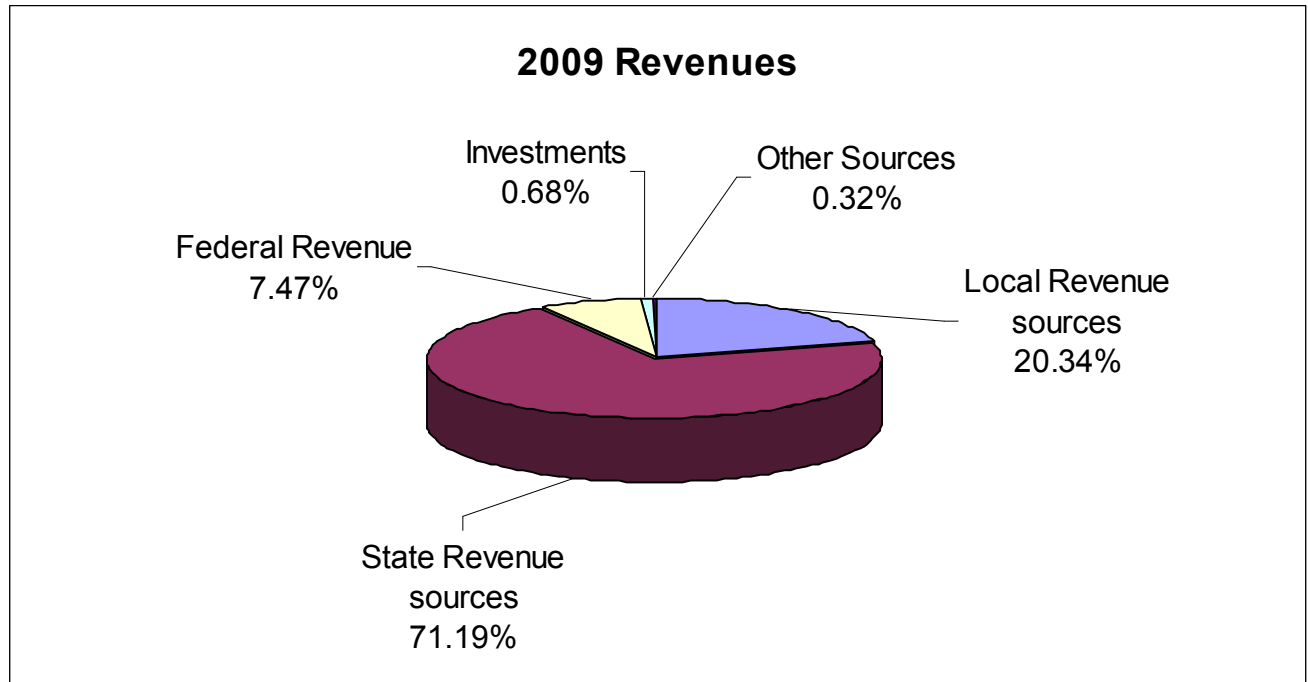
- The District's total revenues for the fiscal year ended June 30, 2009, net of inter-fund transfers and on-behalf payments, were \$18,876,889.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$372,619 more than budget (excluding on-behalf payments from the state of \$3,418,192).
- General fund final budget expenditures were \$509,115 less than budget (excluding on-behalf payments from the state of \$3,418,192).

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Revenues:		
Local Revenue Sources	\$ 4,535,856	\$ 4,432,814
State Revenue Sources	15,871,842	15,733,224
Federal Revenue	1,665,685	1,172,552
Investments	150,942	226,207
Other Sources	70,757	59,613
Total Revenue	<u>22,295,082</u>	<u>21,624,410</u>
Expenses:		
Instruction	13,655,918	14,440,156
Student Support Services	1,060,901	966,901
Instructional Support	775,121	869,721
District Administration	609,935	477,843
School Administration	1,051,697	1,013,447
Business Support	497,786	474,250
Plant Operations	1,786,936	1,978,999
Student Transportation	1,256,321	1,498,506
Community Support	216,362	219,656
Other	857,112	899,407
Total Expenses	<u>21,768,089</u>	<u>22,838,886</u>
Revenue in Excess/(Deficit) of Expenses	<u>\$ 526,993</u>	<u>\$ (1,214,476)</u>

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

The following pie charts are included as additional illustrations of the District's revenues and expenses for the year ended June 30, 2008.



Taylor County School District
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

GENERAL FUND REVENUE SOURCES

General fund receipts in FY 2009 were derived from three sources: local taxes account for 22 percent of all revenue; state sources were responsible for 77 percent of general fund revenue; federal sources totaled .2 percent; and an additional .8 percent came from investment income, the sale of property and other miscellaneous fees.

GENERAL FUND EXPENDITURE CATEGORIES

General Fund expenditures in FY 2009 were spread among more than one dozen functions.

<u>Expenditure Category</u>	<u>Percent</u>
Instructional Activities (<i>teachers, instructional assistants, instructional supplies, materials & equipment</i>)	63
Plant Operations	8
Student Transportation	7
School Administration Support (principal's offices)	6
Student Support Services (<i>pupil attendance, guidance, social work, health, psychologist, speech pathologists, occupational and physical therapy, services for the visually impaired</i>)	6
Instructional Staff Support	3
District Administration Support (<i>board of ed, office of superintendent</i>)	3
Business Support Services	3
Community Services, Site Improvement, Debt Service & Fund Transfers (<i>Local Technology Match</i>)	1

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$756,589 in contingency (3.57% of the entire budget). The beginning cash balance for beginning the fiscal year is \$1,771,805. Significant Board action that impacts finance includes a \$3,000 increase and benefits related to personnel. Transportation and facility maintenance and repairs are also significant expenses.

The Taylor County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was awarded for the period of March 1, 2008 through September 30, 2010. The first installment of \$150,000 was awarded during FY 07-08 with an additional \$300,000 available in each of the 2nd and 3rd years of the grant period. Its impact is to enable our community to design and implement effective out-of-school programs that will result in improved student achievement, and be sustained through community partnerships at the conclusion of the grant funds.

Questions regarding this report should be directed to the Superintendent (270-465-5371) or to the Finance Officer (270-465-5371) or by mail at 1209 East Broadway, Campbellsville, KY 42718.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
As of June 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,600,441	\$ 211,553	\$ 2,811,994
Inventory		44,410	44,410
Accounts Receivable			
Taxes - Current	201,725		201,725
Accounts Receivable	35,104		35,104
Intergovernmental - State	72,738		72,738
Intergovernmental – Direct Federal	2,654		2,654
Intergovernmental – Indirect Federal	169,546		169,546
Bond Issue Costs	193,529		193,529
TOTAL CURRENT ASSETS	3,275,737	255,963	3,531,700
NON-CURRENT ASSETS			
Capital Assets, net of Accumulated Depreciation	12,378,666	132,788	12,511,454
TOTAL NON-CURRENT ASSETS	12,378,666	132,788	12,511,454
TOTAL ASSETS	15,654,403	388,751	16,043,154
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	103,219	2,476	105,695
Checks Issued in Excess of Cash	80,136		80,136
Deferred Revenue	164,801		164,801
Current Portion of Bond Obligations	705,000		705,000
Current Portion of Accrued Sick Leave	68,366		68,366
Interest Payable	84,218		84,218
TOTAL CURRENT LIABILITIES	1,205,740	2,476	1,208,216
NON-CURRENT LIABILITIES			
Non-Current Portion of Bond Obligations	7,385,000		7,385,000
Non-Current Portion of Accrued Sick Leave	305,618		305,618
TOTAL NON-CURRENT LIABILITIES	7,690,618		7,690,618
TOTAL LIABILITIES	8,896,358	2,476	8,898,834
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,288,666	132,788	4,421,454
Restricted for:			
Capital Projects	1,852,317		1,852,317
Inventory		44,410	44,410
Unrestricted	91,756	209,077	300,833
TOTAL NET ASSETS	\$ 6,758,045	\$ 386,274	\$ 7,144,319

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	Expense	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 13,711,524	\$ 6,236	\$ 2,045,576	\$ -	\$(11,659,712)	\$ -	\$(11,659,712)
Support Services							
Student	1,087,209		26,270		(1,060,939)		(1,060,939)
Instruction Staff	775,769		141,841		(633,928)		(633,928)
District Administrative	618,075				(618,075)		(618,075)
School Administrative	1,052,134				(1,052,134)		(1,052,134)
Business	500,576				(500,576)		(500,576)
Plant Operation and Maintenance	1,795,994	420			(1,795,574)		(1,795,574)
Student Transportation	1,446,507				(1,446,507)		(1,446,507)
Facilities acquisition and construction	17,670		3,410	691,781	677,521		677,521
Community Service Activities	216,362		216,000		(362)		(362)
Interest on Long-Term Debt	304,614				(304,614)		(304,614)
TOTAL GOVERNMENTAL ACTIVITIES	21,526,434	6,656	2,433,097	691,781	(18,394,900)		(18,394,900)
BUSINESS-TYPE ACTIVITIES							
Food Service	1,191,649	388,226	806,370			2,948	2,948
TOTAL BUSINESS-TYPE ACTIVITIES	1,191,649	388,226	806,370			2,948	2,948
TOTAL SCHOOL DISTRICT	\$ 22,718,083	\$ 394,882	\$ 3,239,467	\$ 691,781	(18,394,900)	2,948	(18,391,953)
GENERAL REVENUES							
Taxes							
Property Taxes					2,915,440		2,915,440
Delinquent Property Taxes					26,503		26,503
Motor Vehicle					513,517		513,517
Utility Taxes					1,061,746		1,061,746
Other Taxes					18,650		18,650
Investment Earnings					149,066	6,095	155,161
State Aid Formula Grants					14,614,774		14,614,774
Gains (loss) on Sale of Fixed Assets					(1,249)		(1,249)
Loss Compensation							
Miscellaneous					7,896	4,445	12,341
TOTAL GENERAL REVENUES					19,306,343	10,540	19,316,883
Change in Net Assets					911,443	13,488	924,931
Net Assets - Beginning					5,846,602	372,787	6,219,389
Net Assets - Ending					\$ 6,758,045	\$ 386,274	\$ 7,144,319

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2009

	General Fund	Special Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES					
Cash and Cash Equivalents	\$ 748,123	\$ -	\$1,852,317	\$ -	\$ 2,600,441
Accounts Receivable					-
Taxes - Current	201,725				201,725
Accounts Receivable	35,104				35,104
Intergovernmental - State		72,738			72,738
Intergovernmental – Direct Federal		2,654			2,654
Intergovernmental – Indirect Federal		169,546			169,546
TOTAL ASSETS AND RESOURCES	<u>\$ 984,953</u>	<u>\$244,938</u>	<u>\$1,852,317</u>	<u>\$ -</u>	<u>\$ 3,082,208</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Checks Issued in Excess of Cash	\$ -	\$ 80,136	\$ -	\$ -	\$ 80,136
Accounts Payable	103,219				103,219
Deferred Revenue		164,801			164,801
TOTAL LIABILITIES	103,219	244,938			348,156
FUND BALANCES					
Undesignated, Reported in					
General Fund	881,734				881,734
Capital Projects Funds			1,852,317		1,852,317
TOTAL FUND BALANCES	<u>881,734</u>	<u></u>	<u>1,852,317</u>	<u></u>	<u>2,734,051</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 984,953</u>	<u>\$244,938</u>	<u>\$1,852,317</u>	<u>\$ -</u>	<u>\$ 3,082,208</u>

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2009

Total fund balances per fund financial statements	\$ 2,734,051
Amounts reported for governmental activities in the statement of assets are different because:	
Capital assets used in government activities are not current financial resources and therefore are not reported as assets in this fund financial statement. The cost of the assets is \$23,506,721, and the accumulated depreciation is \$11,128,055.	12,378,666
Bond issue costs are not current financial resources and therefore are not reported as assets in this fund financial statement.	193,529
Bonds payable are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets.	(8,090,000)
Certain liabilities, (Sick leave and interest payable) are not presented in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(458,202)</u>
Net assets for governmental activities	<u>\$ 6,758,045</u>

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General Fund	Special Revenue (Grant) Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From Local Sources:					
Taxes					
Property	\$ 2,547,497	\$ -	\$ 413,096	\$ -	\$ 2,960,593
Motor Vehicles	513,517				513,517
Utilities	1,061,746				1,061,746
Other					
Tuition and Fees	6,236				6,236
Earnings and Investments	143,516	1,876	5,550		150,942
Other Local Revenues	8,316	56,205			64,521
Intergovernmental – State	14,438,767	741,293	449,749	421,138	16,050,948
Intergovernmental – Direct federal		80,282			80,282
Intergovernmental – Indirect federal	31,962	1,553,441			1,585,403
TOTAL REVENUES	18,751,556	2,433,098	868,395	421,138	22,474,188
EXPENDITURES					
Instruction	11,583,114	2,072,804			13,655,918
Support Services					
Student	1,034,630	26,270			1,060,901
Instructional Staff	633,279	141,841			775,121
District Administration	609,935				609,935
School Administration	1,051,697				1,051,697
Business Support Services	497,786				497,786
Plant Operation and Management	1,535,167			251,770	1,786,936
Student Transportation	1,256,321				1,256,321
Facilities Acquisition and Construction	14,260	3,410			17,670
Community Service Activities	362	216,000			216,362
Debt Service				1,018,548	1,018,548
TOTAL EXPENDITURES	18,216,552	2,460,326		1,270,317	21,947,195
Excess (Deficit) of Revenues Over Expenditures	535,004	(27,228)	868,395	(849,179)	526,993
OTHER FINANCING SOURCES (USES)					
Net proceeds from sale of fixed assets					
Operating Transfers In		27,228		839,442	866,670
Operating Transfers Out	(147,137)		(719,532)		(866,670)
TOTAL OTHER FINANCING SOURCES (USES)	(147,137)	27,228	(719,532)	839,442	
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	387,867		148,863	(9,738)	526,993
Fund Balance June 30, 2008	493,867		1,703,454	9,738	2,207,059
Fund Balance June 30, 2009	\$ 881,734	\$ -	\$ 1,852,317	\$ -	\$ 2,734,051

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

NET CHANGE - GOVERNMENTAL FUNDS \$ 526,993

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	(866,729)	
Capital Outlays	419,991	
		(446,738)

Bond proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal Paid:		
District	550,955	
State	144,045	
		695,000

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Accrued Interest Payable	9,440	
Accrued Sick Leave	153,565	
Bond Amortization Cost	(25,567)	
		137,438

In the statement of activities the net gain on the sale/disposal of assets is reported in, whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from the change in fund balances by the cost of the assets sold/disposed.		(1,249)
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Change in net assets of governmental activities		\$ 911,443

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2009

	Food Service Fund
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 211,553
Inventory	<u>44,410</u>
TOTAL CURRENT ASSETS	255,963
NON-CURRENT ASSETS	
Capital Assets	590,224
Less: Accumulated Depreciation	<u>(457,437)</u>
TOTAL NON-CURRENT ASSETS	<u>132,788</u>
TOTAL ASSETS	<u><u>\$ 388,751</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	<u>\$ 2,476</u>
TOTAL CURRENT LIABILITIES	2,476
NET ASSETS	
Reserved for Inventory	44,410
Invested in Capital Assets, Net of Related Debt	132,788
Unrestricted	<u>209,077</u>
TOTAL NET ASSETS	<u>386,274</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 388,751</u></u>

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Food Service Fund
OPERATING REVENUES	
Lunchroom Sales	\$ 388,226
Other Operating Revenues	4,445
TOTAL OPERATING REVENUES	392,671
OPERATING EXPENSES	
Salaries and Wages	638,485
Contract Services	28,562
Material and Supplies	497,660
Depreciation	22,060
Other Operating Expenses	4,882
TOTAL OPERATING EXPENSES	1,191,649
OPERATING INCOME (LOSS)	(798,977)
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	655,206
Donated Commodities	50,969
State Grants	100,195
Interest Income	6,095
Gain (Loss) on Sale of Asset	
TOTAL NON-OPERATING REVENUES (EXPENSES)	812,465
NET INCOME (LOSS)	13,488
Retained Earnings June 30, 2008	372,787
Retained Earnings June 30, 2009	\$ 386,274

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From	
Lunchroom sales	\$ 388,226
Other activities	4,445
Cash paid to/for	
Employees	(552,289)
Supplies	(460,610)
Other activities	(33,444)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(653,672)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Grants	13,999
Federal Grants	655,206
	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	669,205

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of interest income	6,095
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,095
	<hr/>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 21,628

Balances, Beginning of Year 189,925

Balances, End of Year \$ 211,553

RECONCILIATION OF CHANGE IN NET INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Net Income (Loss)	\$ (798,977)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	22,060
State On-behalf Payments	86,196
Donated Commodities	50,969
Change in assets and liabilities	
(Increase) Decrease in Inventory	(16,178)
Increase (Decrease) in Accounts Payable	2,258
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (653,672)</u></u>

SCHEDULE OF NON-CASH TRANSACTIONS

On Behalf Payments from the State for Employee Benefits	\$ 86,196
Donated Commodities Received from Federal Government	50,969

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of June 30, 2008

	<u>Agency Funds</u>	<u>Other Fiduciary Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 213,137	\$ -	\$ 213,137
Accounts Receivable	<u>184</u>		<u>184</u>
TOTAL ASSETS	213,321		213,321
LIABILITIES			
Due to Student Groups	208,445		208,445
Accounts Payable	<u>4,876</u>		<u>4,876</u>
TOTAL LIABILITIES	<u>213,321</u>		<u>213,321</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Taylor County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Taylor County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Taylor County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Taylor County Board of Education Finance Corporation – On November 19, 1990, the Taylor County, Kentucky, Board of Education resolved to authorize the establishment of the Taylor County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

- Governmental Fund Types
 1. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
 2. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 39 through 40. This is a major fund of the District.
 3. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - c. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
 4. The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.
- Proprietary Fund Types (Enterprise Fund)

1. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- Fiduciary Fund Types

The Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date

is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Taxes – (Continued)

which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.412 per \$100 valuation for real property, \$.438 per \$100 valuation for business personal property and \$.537 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- The budget can be amended after initial approval.
- Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.
- On-Behalf payments were not considered in the budget.

Encumbrances

Encumbrances are not liabilities and, therefore, are not reported as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. There were no outstanding encumbrances at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or other outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 3 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,275,759. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments for the District's cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2009 consisted of the following:

	Bank Balance	Book Balance
Checking accounts	\$ 4,643,630	\$ 2,859,995
Certificates of Deposit	85,000	85,000
	<u>\$ 4,728,630</u>	<u>\$ 2,944,995</u>

Breakdown per financial statements:

Governmental Funds	\$ 4,289,643	\$ 2,520,305
Proprietary Funds	211,554	211,553
Agency Funds	227,433	213,137
	<u>\$ 4,728,630</u>	<u>\$ 2,944,995</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,573,306	\$ 251,612	\$ -	\$ 1,824,918
Buildings and Building Improvements	15,729,209			15,729,209
Technology equipment	1,495,213	139,087	109,008	1,525,292
Vehicles	2,853,925			2,853,925
General Equipment	1,545,586	29,291	1,500	1,573,377
Construction				
Totals at historical cost	<u>23,197,239</u>	<u>419,991</u>	<u>110,508</u>	<u>23,506,722</u>
Less accumulated depreciation for:				
Land	69,525	23,804		93,329
Buildings and Building Improvements	6,631,835	334,988		6,966,823
Technology Equipment	874,092	205,200	107,759	971,533
Vehicles	1,826,128	202,905		2,029,033
General Equipment	969,007	99,831	1,500	1,067,337
Construction				
Total accumulated depreciation	<u>10,370,586</u>	<u>866,728</u>	<u>109,259</u>	<u>11,128,055</u>
Governmental Activities Capital Net	<u>\$ 12,826,653</u>	<u>\$ (446,738)</u>	<u>\$ 1,249</u>	<u>\$ 12,378,666</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 4 – CAPITAL ASSETS - CONTINUED

PROPRIETARY ACTIVITIES

Land	\$ -	\$ -	\$ -	\$ -
Buildings and Building Improvements				
Technology Equipment	16,578			16,578
Vehicles				
General Equipment	573,646			573,646
Construction				
Totals at historical cost	<u>590,224</u>	<u></u>	<u></u>	<u>590,224</u>
Less Accumulated Depreciation For:				
Land				
Buildings and Buildings Improvement				
Technology Equipment	10,767	3,046		13,812
General Equipment	424,610	19,015		443,624
Construction				
Total Accumulated Depreciation	<u>435,376</u>	<u>22,060</u>	<u></u>	<u>457,437</u>
Proprietary Activities Capital Net	<u>\$ 154,848</u>	<u>\$ (22,060)</u>	<u>\$ -</u>	<u>\$ 132,788</u>

Depreciation Expense Charged to Governmental Functions as Follows:

Instructional	\$ 629,161
Student Support Services	26,308
Staff Support Services	648
District Administration	8,140
School Administration	437
Business Support Services	2,790
Plant Operation and Maintenance	9,058
Student Transportation	<u>190,186</u>
Total	<u>\$ 866,729</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 5 – LONG-TERM OBLIGATIONS

The original amount of the issue, the issue dates, and interest rates are summarized below:

ISSUE	DISTRICT ORIGINAL AMOUNT	SFCC ORIGINAL AMOUNT	INTEREST RATE RANGES	MATURITY DATES
Issue of May, 1998	\$ 1,320,690	\$ 719,310	4.05 % - 4.50 %	Aug. 1, 2010
Issue of July, 1999	\$ 1,525,825	\$ 729,175	4.25 % - 5.25 %	June 1, 2019
Issue of Aug., 2002	\$ 1,475,000		1.50 % - 4.2 %	Feb. 1, 2018
Issue of April, 2004	\$ 1,320,000		2.65 % - 4.50 %	Apr. 1, 2024
Issue of April, 2004	\$ 1,917,880	\$ 192,120	2.00 % - 3.625 %	Oct. 1, 2014
Issue of Aug., 2005	\$ 1,942,049	\$ 137,951	2.75% - 4.00%	Aug. 1, 2016
Issue of Jan., 2007	\$ 103,763	\$ 166,237	5%	June 1, 2011
Issue of Feb., 2007	\$ 1,371,053	\$ 408,947	4%	June 1, 2019

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Taylor County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

YEAR	TAYLOR COUNTY SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2009-10	\$ 564,990	\$ 297,852	\$ 140,010	\$ 28,961	\$ 1,031,813
2010-2011	592,363	245,758	112,637	23,565	974,323
2011-2012	615,189	223,786	74,811	19,685	933,471
2012-2013	636,874	202,765	78,126	17,034	934,799
2014-2018	3,433,064	657,092	336,936	44,711	4,471,803
2019-2023	1,264,829	169,812	55,171	2,138	1,491,950
2024-2028	185,000	8,326			193,326
Totals	<u>\$ 7,292,309</u>	<u>\$ 1,805,391</u>	<u>\$ 797,691</u>	<u>\$ 136,094</u>	<u>\$ 10,031,485</u>

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 5 – LONG-TERM OBLIGATIONS - CONTINUED

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

Long-term liability the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds Payable	\$ 8,785,000	\$ -	\$ 695,000	\$ 8,090,000	\$ 705,000
Accrued Sick Leave	527,549	138,270	291,835	373,984	68,366
Governmental Activities:					
Long-term Liabilities	<u>\$ 9,312,549</u>	<u>\$ 138,270</u>	<u>\$ 986,835</u>	<u>\$ 8,463,984</u>	<u>\$ 773,366</u>

The debt service fund is primarily responsible for paying bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying accrued vacation and sick leave.

NOTE 6 – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2009 as follows:

Year ending June 30:

2010	\$ 38,952
2011	<u>4,031</u>
Total Minimum Payments	<u>\$ 42,983</u>

Rent expense for the year ended June 30, 2009 was \$74,061.

NOTE 7 – RETIREMENT PLANS

KENTUCKY TEACHER'S RETIREMENT:

All the District's eligible employees participate in the Kentucky Teacher's Retirement System (KTRS), a statewide multiple-employer public employee retirement system covering all employees of local school districts within the State of Kentucky. KTRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Kentucky. KTRS is funded through state employee contributions and the District has no legal obligation for paying benefits. As discussed below, the District may be required in certain situations to make limited contributions on behalf of certain employees.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 7 – RETIREMENT PLANS - CONTINUED

Funding policy - Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS for members established before July 1, 2008 and 10.855% for members established after July 1, 2008. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members established before July 1, 2008 and 14.105% for member established after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

During the years ended June 30, 2009, 2008 and 2007, contributions of \$1,327,686, \$1,396,899, and \$1,255,994 were made by the State of Kentucky and \$81,867, \$39,702 and \$51,537 in contributions were passed through the District's federally funded programs. The employee contribution rate of 9.855 % is actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2009, 2008 and 2007 totaled \$1,060,045, \$1,080,328 and \$983,132 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District's total payroll for all employees during the years ended June 30, 2009, 2008 and 2007 was \$, \$13,857,074, 14,272,193 and \$13,290,255 and \$10,754,076, \$10,962,236 and \$9,975,973 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2009, 2008 and 2007 of 13.55%, 16.18% and 13.19% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2009, 2008 and 2007 was \$418,907, \$535,218 and \$414,189 from the District and \$155,230, \$165,499 and \$159,383 from employees. The total covered payroll for CERS during the years ended June 30, 2009, 2008 and 2007 was \$3,102,998, \$3,309,957 and \$3,314,282. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

The County Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

DEFERRED COMPENSATION:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 8 - RISK MANAGEMENT - CONTINUED

discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 10 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 11 - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following fund had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

SEEK Capital Outlay Fund	\$9,738
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NOTE 12 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 27,228
Operating	General	Debt Service	Debt Service	119,909
Operating	Building	Debt Service	Debt Service	719,532

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2009

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. For the year ended June 30, 2009, total payments were \$3,504,388. The following amounts were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities:

Kentucky Teacher's Retirement System	\$	1,327,686
Vocational Education		76,882
Health Insurance		2,040,619
Life Insurance		8,283
Administrative Fees		22,170
Flexible Plans		176,400
Less: Federal Reimbursements		<u>(147,651)</u>
Total	\$	<u>3,504,388</u>

NOTE 14 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

SUPPLEMENTARY SCHEDULES

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources:				
Taxes				
Property	\$ 2,359,337	\$ 2,427,209	\$ 2,547,497	\$ 120,288
Motor Vehicle	510,554	535,610	513,517	(22,093)
Utilities	975,000	1,000,000	1,061,746	61,746
Tuition and Fees	5,400	5,400	6,236	836
Earnings on Investments	160,000	135,000	143,516	8,516
Other Local Revenues	10,500	10,500	8,316	(2,184)
Intergovernmental – State	10,980,206	10,782,026	14,438,767	3,656,741
Intergovernmental –Direct federal	25,000	25,000		(25,000)
Intergovernmental –Indirect federal	35,000	40,000	31,962	(8,038)
TOTAL REVENUES	15,060,997	14,960,745	18,751,556	3,790,811
EXPENDITURES				
Instruction	9,149,365	8,558,076	11,583,114	(3,025,038)
Support Services				-
Student	793,536	793,186	1,034,630	(241,444)
Instructional Staff	602,481	591,820	633,279	(41,460)
District Administration	356,553	356,553	609,935	(253,382)
School Administration	917,538	911,356	1,051,697	(140,341)
Business Support Services	525,050	525,050	497,786	27,264
Plant Operations and Maintenance	1,439,973	1,439,973	1,535,167	(95,194)
Student Transportation	1,306,796	1,306,796	1,256,321	50,475
Facilities Acquisition and Construction			14,260	(14,260)
Community Services	1,150	1,150	362	788
Miscellaneous	808,646	820,744		
Debt Services	119,909	119,909		119,909
TOTAL EXPENDITURES	16,020,997	15,424,612	18,216,552	(3,612,684)
Excess (Deficit) of Revenues Over Expenditures	(960,000)	(463,867)	535,004	178,127
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(40,000)	(30,000)	(147,137)	(117,137)
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	(30,000)	(147,137)	(117,137)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,000,000)	(493,867)	387,867	60,990
Fund Balance June 30, 2008	1,000,000	493,867	493,867	
Fund Balance June 30, 2009	\$ -	\$ -	\$ 881,734	\$ 60,990

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—
BUDGET AND ACTUAL
SPECIAL REVENUE
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Earnings and Investments	\$ -	\$ -	\$ 1,876	\$ 1,876
Other Local Revenues	21,281	21,281	56,205	34,924
Intergovernmental – State	861,089	946,465	741,293	(205,172)
Intergovernmental –Direct federal	100,000		80,282	80,282
Intergovernmental –Indirect federal	1,104,797	1,225,853	1,553,441	327,588
TOTAL REVENUES	2,087,167	2,193,599	2,433,098	239,499
EXPENDITURES				
Instruction	1,799,102	1,869,315	2,072,804	(203,489)
Support Services				
Student	23,322	22,880	26,270	(3,390)
Instructional Staff	103,152	138,403	141,841	(3,438)
District Administration				
School Administration				
Business Support Services				
Plant Operations and Maintenance				
Student Transportation				
Facilities Acquisition and Construction				
Community Services	201,591	203,001	216,000	(12,999)
Debt Service				
TOTAL EXPENDITURES	2,127,167	2,233,599	2,456,916	223,317
Excess (Deficit) of Revenues Over Expenditures	(40,000)	(40,000)	(23,818)	16,182
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	40,000	40,000	27,228	(12,772)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	40,000	27,228	(12,772)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				
Fund Balance June 30, 2008	-	-	-	-
Fund Balance June 30, 2009	\$ -	\$ -	\$ -	\$ -

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUND - CAPITAL PROJECT FUNDS
 As of June 30, 2009

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Capital Project Funds
ASSETS AND RESOURCES				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-			-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Unreserved				
Undesignated, Reported In				
Capital projects funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS - NON-MAJOR FUNDS
 For the Year Ended June 30, 2009

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental – State	242,032		179,106	421,138
TOTAL REVENUES	242,032		179,106	421,138
EXPENDITURES				
Support services				
Plant operation and management	251,770			251,770
Facilities Acquisition and Construction				
Debt Service			1,018,548	1,018,548
TOTAL EXPENDITURES	251,770		1,018,548	1,270,317
Excess (Deficit) of Revenues Over Expenditures	(9,738)		(839,442)	(849,179)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In			839,442	839,442
TOTAL OTHER FINANCING SOURCES (USES)			839,442	839,442
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,738)			(9,738)
Fund Balance June 30, 2008	9,738			9,738
Fund Balance June 30, 2009	\$ -	\$ -	\$ -	\$ -

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS
For the Year Ended June 30, 2009

	Cash Balance July 1, 2008	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2009
Academic Team	\$ 261	\$ -	\$ 256	\$ 5	\$ -	\$ -	\$ 5
Agriculture Greenhouse	7,975	14,953	15,428	7,501			7,501
Art	986	1,454	2,251	189			189
Athletics	21,241	128,381	110,924	38,698		1,080	37,618
Band	10,679	22,500	33,145	34			34
Beta Club	1,847	5,049	5,183	1,714			1,714
Business Department	1,327	1,183	759	1,751			1,751
Cardinal Cradle	1,826	1,793	3,619				-
Cardinal Financial CTR	981	532	732	781			781
Cardinal Kroger		16,611	15,588	1,023			1,023
Cheerleading	3			3			3
Chorus	3,571	47,555	43,086	8,040			8,040
Concessions - Students	1,543	2,911	3,423	1,031		500	531
Concessions - Athletics	1,032	3,280	4,239	72			72
Concessions - Lounge	637	2,430	2,936	131	29		159
Courtyard Project	886		117	769			769
Creative Writer's Club	17	495	356	156			156
Culture Awareness	1,014	60	30	1,044			1,044
Dance Team	1,058	1,802	2,111	750			750
DECA	95	13,268	13,324	39			39
Driver's Education	2,028	540	1,520	1,048			1,048
Drama	235	18,815	16,415	2,635			2,635
English		500	480	20			20
Future Educators	84	4,013	3,928	169			169
Faculty Flower Fund		760	760				-
Family/Consumer	1,345	4,054	5,012	387			387
Foreign Language	195		165	30			30
Class of 2011	2,787	471	315	2,944			2,944
FBLA	810	933	1,658	84			84
FCA	974	6,497	5,978	1,493			1,493
FFA	3,223	22,452	21,963	3,713			3,713
FCCLA (FHA)	972	6,660	5,775	1,857			1,857
Floral Designs	10			10			10
General	11,685	21,943	22,660	10,968			10,968

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS - CONTINUED
For the Year Ended June 30, 2009

	Cash Balance July 1, 2008	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2009
Greenhouse Entrepreneur	\$ 2,301	\$ 1,663	\$ 3,560	\$ 404	\$ -	\$ -	\$ 404
Guidance		3,094	2,951	143			143
Health & PE	1,225	11,054	10,963	1,317			1,317
Industrial Technology	105	1,260	1,348	17			17
Class of 2009	3,027	4,559	7,586				-
Class of 2012		652	394	258			258
Lake Cumberland FFA		7,713	3,069	4,643			4,643
Library	213	3,521	3,665	68			68
Math							-
Marcum Monument	66			66			66
TCHS Outdoors Club	1,706	6,301	3,519	4,489		3,207	1,282
Newspaper	280		280				-
Pep Club	583	3,906	4,112	378			378
Radio		25,468	16,208	9,260			9,260
Science Club	220	3,479	2,654	1,046			1,046
Science Department	1,399	3,156	1,612	2,944			2,944
Senior Trip		21,348	19,452	1,896			1,896
Class of 2010	612	19,780	17,963	2,429			2,429
Social Studies Dept	486		85	401			401
Student Government	514	943	837	620			620
Swim Team	247	1,226	1,473				-
Tech. Students Association	451	491	673	269			269
Text Books	7,898	7,394	2,976	12,316			12,316
WTCH	655		655				-
Yearbook	4,749	7,031	934	10,845			10,845
Y Club	1,128	6,775	7,633	270			270
Young Historians	1,990	3,744	4,274	1,460			1,460
Volleyball	13		13				-
Less: Interfund Transfers		(12,907)	(12,907)				-
Taylor County High School	111,197	483,546	450,119	144,625	29	4,787	139,867
Taylor County Middle School	39,889	140,407	133,497	46,800	155	51	46,904
Taylor County Elementary	24,165	167,197	169,649	21,713		39	21,674
Total	\$ 175,251	\$ 791,151	\$ 753,265	\$ 213,137	\$ 184	\$ 4,876	\$ 208,445

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL A W A R D S
For the Year Ended June 30, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	3108	\$ 110,706
Title I Grants to Local Educational Agencies	84.010A	3108D	17,296
Title I Grants to Local Educational Agencies	84.010A	3109	361,728
Title I Grants to Local Educational Agencies	84.010A	3109D	45,340
Title I Grants to Local Educational Agencies	84.010A	3109M	424
Title I Grants to Local Educational Agencies	84.010A	3209	49,401
			<u>584,895</u>
Special Education Cluster:			
Special Education - Grants to States	84.027A	3378	20,727
Special Education_ Grants to States	84.027A	3379	452,589
Special Education - Preschool Grants	84.173A	3437	134
Special Education - Preschool Grants	84.173A	3438	48,764
Special Education - Preschool Grants	84.173A	3439	20,405
ARRA	84173A	4249	505
Total Special Education Cluster			<u>543,124</u>
Vocational Education_Basic Grants to States	84.048	3489	23,697
Vocational Education_Basic Grants to States	84.048	3488A	394
			<u>24,091</u>
Vocational Rehabilitation Grants to States	84.126	3769	21,300
			<u>21,300</u>
Safe and Drug-Free Schools and Communities - National Prog.	84.184B	5349A	* 159,099
			<u>159,099</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	4069	467
			<u>467</u>
Twenty-first Century Community Learning Centers	84.287	5508	115,738
Twenty-first Century Community Learning Centers	84.287	5509	3,440
			<u>119,178</u>
State Grants for Innovative Programs	84.298	3348	35
			<u>35</u>
Education Technology State Grants	84.318	4258	1,357
Education Technology State Grants	84.318	4259	3,358
			<u>4,715</u>

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
Improving Teacher Quality State Grant	84.367	4018	\$ 18,247
Improving Teacher Quality State Grant	84.367	4019	98,188
			<u>116,435</u>
Grants for State Assessments and Related Activities	84.369	3978	1,188
			<u>1,188</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			1,574,527
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Kentucky Department of Education:			
Drug-Free Communities Support Program Grants	93.276	5009	<u>82,936</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			82,936
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Kentucky Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 08 *	120,805
National School Lunch Program	10.555	7750002 09 *	382,099
School Breakfast Program	10.553	7760005 08 *	36,951
School Breakfast Program	10.553	7760005 09 *	<u>115,351</u>
Total Child Nutrition Cluster			655,206
Passed through the Kentucky Department of Agriculture			
Food Donation Program	10.550	*	<u>50,969</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			706,175
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,363,638</u>

* Denotes Major Program

The accompanying notes are an integral part of this schedule.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Taylor County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at fair value of the commodities disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are
Not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified Yes X No
- Significant deficiencies identified that are
Not considered to be material weakness(es)? Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with
Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.184	Safe and Drug-Free Schools and Communities
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement of Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2009

The audit of Taylor County School District for the year ended June 30, 2008, revealed no audit findings requiring corrective action.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky 42718

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Taylor County School District as of and for the year ended June 30, 2009, which collectively comprise the Taylor County School District's basic financial statements and have issued our report thereon dated November 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the *Independent Auditor's Contract*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Taylor County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Taylor County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taylor County School district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Taylor County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Taylor County School District's financial statements that is more than inconsequential will not be prevented or detected by the Taylor County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Taylor County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylor County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*.

We noted certain matters that we reported to management of the Taylor County School District in a separate letter dated November 6, 2009.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Taylor County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities and is not intended to be and should not be use by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

November 6, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky 42718

Compliance

We have audited the compliance of Taylor County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Taylor County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taylor County School District's management. Our responsibility is to express an opinion on Taylor County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Taylor County School District's compliance with those requirements.

In our opinion, Taylor County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Taylor County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Taylor County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance required of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results more than a remote likelihood that material noncompliance with a type of compliance requirement of federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Taylor County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

November 6, 2009

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

October 29, 2008

Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky

In planning and performing our audit of the financial statements of Taylor County School District for the year ended June 30, 2009, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the school activity funds.

In connection with our tests for the activity funds, the following observations were made concerning the prior year management letter points:

Prior fiscal year condition – Multiple Receipts Form not being used in all occurrences where the form is needed.

Observation – Multiple receipt form not being used in all occurrences where needed at the Taylor County Middle School and the Taylor County High School. We will address as a current year condition.

Prior fiscal year condition – Activity fund ticket sales not being followed by the Taylor County Show Choir.

Observation - Show Choir tickets sales were better documented.

Prior fiscal year condition – Activity Fund booster club procedures are not being followed at Taylor County High School concerning the timeliness of financial statement submission.

Observation - Not all booster clubs are timely submitting their financial statement. We will address as a current year condition.

Prior fiscal year condition – Fundraiser Approval Form (Form F-SA-2A) and Fundraiser Worksheet (Form F-SA-2B) are not being used for all fundraising events at Taylor County High School.

Observation – Approval of fund raisers were documented but the fundraiser worksheets are not being used in all fundraising activities. We will address as a current year condition.

Members of the Board of Education
Taylor County School District
Page 2

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in the following memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

TAYLOR COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
November 6, 2009

UNCORRECTED PRIOR YEAR COMMENTS

FIDUCIARY FUNDS

Taylor County High School

Comment: Multiple receipt forms were not being used for all occurrences when required per “Red Book” guidelines.

Recommendation: Inform employees the requirements of “Red Book” when collecting money from multiple sources.

Response: The District will contact the school to address this problem.

Comment: Activity Fund Booster Club procedures are not being followed at Taylor County High School concerning submission of financial statements.

Recommendation: Inform booster club officers about proper procedures for booster club accountability with emphasis on timely year end financial report submission.

Response: The District will contact the school to address this problem.

Comment: Fundraiser Worksheets (Form F-SA-2B) is not being used for all fundraising activities at Taylor County High School.

Recommendation: We recommend all approved fundraisers to be documented with the fundraiser approval form. Fundraisers approved and not conducted should be documented as such. We recommend all approval forms and fundraiser worksheets be kept in a single location.

Response: The District will contact the school to address this problem.

CURRENT YEAR COMMENTS:

None

CENTRAL OFFICE - PAYROLL

Processing Salary Increases

We noted that the person processing payroll is the same person who updates the salary schedules for increases for all employees within payroll. We did not find where anyone documented checking the information that was put into the payroll on salary increases. Most employees are on a salary schedule and the process of updating is simply a rollover process in Munis. Munis has a program in which you can enter the percent or dollar amount of raises and raises are applied to all employees on a salary schedule. However, there are about fifteen to twenty classified employees who are not associated with a salary schedule. We recommend that a second person review and document the rate increases for greater internal control on payroll processing.

Management Response

The finance director will run a Munis report called “Changes Audit –History and Detail” to review all changes entered in July and trace changes to approval documentation and contract. The finance director will also do at least one surprise review of the “Changes Audit-History and Detail” per year.

Approval of Salaries

We noted in reviewing the approvals of salary increases, that the fifteen to twenty classified personnel, who have a separate contract with the District, were not approved at the board level. According to your policy and procedures, all salaries should be approved by the board. We recommend that a salary schedule be implemented for the above personnel. Thus when the board approves salary schedule increases, all personnel will be included.

Management Response

District management in the prior years placed a note on the classified salary schedule that some personnel were negotiated with superintendent. Starting FY 10-11 all classified personnel will be included on a classified salary schedule approved by the board.



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Taylor County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents, and have issued our report thereon dated November 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the *Independent Auditor's Contract*.

As stated in our engagement letter dated July 31, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we consider Taylor County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also consider internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining assurance about whether Taylor County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Taylor County School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Taylor County School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Taylor County School District's compliance with those requirements.

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MEMBERS: AICPA • KYCPA

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Taylor County School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changing during the fiscal year ended June 30, 2009. We noted no transactions entered into by the governmental unit during the year which there is a lack of authoritative guidance or State Committee for School District Audits consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the accrued sick leave is based on expected future employee retirements. We evaluated the key factors and assumptions used to develop the accrued sick leave estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. There have been no disagreements during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2009.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the use of members of the Board of Education, Kentucky State Committee for School District Audits and management and is not intended and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

November 6, 2009